



CHAIRMAN'S STATEMENT • 主席報告



On behalf of the Board, I hereby present to shareholders the annual reports of the Group for the year ended 30th April, 2006.

本人謹代表董事會向股東提呈本集團截至二零零六年四月三十日止年度之年報。

Results for the year

For the year ended 30th April, 2006, the Group achieved a sales turnover of HK\$414 million on continuing operation (2005: HK\$396 million on continuing operation), representing an increase of HK\$18 million or 5% as compared with last year. The Group reported a consolidated net loss of HK\$25 million, as compared to a consolidated net loss of HK\$206 million on the continuing operation in last year. Basic loss per share was HK\$0.04 (2005: loss of HK\$0.42). EBITDA, as defined in the Financial Highlights, on continuing operation was HK\$32 million (2005: HK\$27 million on continuing operation).

Performance Review

As reported in the interim report for the six months ended 31st October, 2005, the first half year trading results were affected negatively by decrease in sales to ASAT Holdings Limited ("ASAT"); while the substantial increase in copper prices dampened customer demand and hurt margins.

In a bid to reduce the Group's exposure to any one single customer, the Group continued its customer diversification drive. Accordingly, sales to ASAT dropped from 57% in the financial year ended 30th April, 2004, then to 49% in the last financial year and currently down to 43% in the year under review, while maintaining growth in total sales for the leadframe business over last year. Currently, the Company continues to upgrade its operations by implementing the Total Quality Management ("TQM") initiatives while reducing its cost structure.

年度業績

截至二零零六年四月三十日止年度，本集團於持續經營業務錄得之營業額為414,000,000港元（二零零五年：於持續經營業務為396,000,000港元），較去年上升18,000,000港元或5%。本集團錄得之綜合虧損淨額為25,000,000港元，而去年於持續經營業務之綜合虧損淨額為206,000,000港元。每股基本虧損為0.04港元（二零零五年：虧損0.42港元）。於持續經營業務錄得之除利息、稅項、折舊及攤銷前盈利（EBITDA）（定義見財務摘要）為32,000,000港元（二零零五年：於持續經營業務為27,000,000港元）。

業務回顧

如截至二零零五年十月三十一日止六個月之中期報告內所述，因向ASAT Holdings Limited（「樂依文」）之銷售額下跌，本集團上半年之貿易業績受到不利影響。而銅價大幅上升，亦減弱客戶需求，降低利潤。

為了避免本集團過份依賴任何單一客戶，本集團繼續努力擴大客戶層面。故此，雖然向樂依文之銷售額由截止二零零四年四月三十日止財政年度之57%下跌至上一個財政年度之49%，並跌至回顧年度現時之43%，但本集團於去年仍能保持引線框業務總銷售額之增長。本公司現正繼續透過實施全面品質管理（「全面品質管理」），並減省成本架構，務求改善業務。

As a result of the improvements in overall sales and reduced costs, the Group has successfully turned around its operations in the second half of the fiscal year 2006. As set out in the Financial Highlights, EBITDA on continuing operation in the second half fiscal year was HK\$29 million as compared to HK\$3 million as recorded in the first half year.

Major associate – ASAT

During the year under review, ASAT substantially completed its move of operations to China, and recorded a decrease in net revenue by 6% from US\$194.4 million (equivalent to approximately HK\$1,516 million) in fiscal year 2005 to US\$182.1 million (equivalent to approximately HK\$1,412 million), with a net loss of US\$42.4 million (equivalent to approximately HK\$329 million) for the year ended 30th April, 2006 on its accounts prepared in accordance with accounting principals generally accepted in the United States of America, as compared to a net loss of US\$60.4 million (equivalent to approximately HK\$471 million) in its last corresponding year.

The Group held 42.42% of ASAT as at 30th April, 2006. The Group's carrying value of ASAT was nil (2005: negative goodwill arising from deemed acquisitions HK\$2 million). Since the end of last financial year, the Group has ceased to recognise its share of loss of ASAT. This accounting treatment continues except for any additional investment in ASAT such as the HK\$30 million (2005: nil) loan portion of convertible preferred shares in ASAT, which formed part of investment in ASAT, and receipt of preferred shares dividend in the current year in the form of ordinary shares of ASAT at a value of approximately HK\$3 million (2005: nil), received by the Group due to its holding of convertible preferred shares in ASAT which carries a preference dividend rate of 13% per annum payable semi-annually either in cash or in ordinary shares, at the option of ASAT. The unrecognised share of losses for the year amount to HK\$153 million (2005: HK\$78 million) and the accumulated unrecognised share of losses amounted to HK\$231 million (2005: HK\$78 million).

由於整體銷售得到改善及成本降低，本集團已成功扭轉二零零六年財政年度下半年之業務局勢。如財務摘要所載，於二零零六年財政年度下半年，於持續經營業務之EBITDA為29,000,000港元，而上半年則錄得3,000,000港元。

主要聯營公司 – 樂依文

於回顧年度內，樂依文基本上已將其業務遷至中國，及錄得銷售淨額由二零零五年財政年度之194,400,000美元（相當於約1,516,000,000港元）下降6%至182,100,000美元（相當於約1,412,000,000港元）。根據美國普遍採納之會計準則所編製之賬目，與其去年同期60,400,000美元（相當於約471,000,000港元）之虧損淨額比較，樂依文於二零零六年四月三十日止年度之虧損淨額為42,400,000美元（相當於約329,000,000港元）。

於二零零六年四月三十日，本集團持有樂依文42.42%之權益。本集團持有樂依文權益之賬面值為零（二零零五年：由視作收購產生之負商譽為2,000,000港元）。自上一個財政年度止，本集團已停止確認其分佔樂依文之虧損。該會計處理方法將持續，惟於樂依文之任何額外投資則除外，例如構成樂依文投資一部份之樂依文可換股優先股30,000,000港元（二零零五年：無）之貸款部份，及本集團因持有樂依文之可換股優先股，而於本年度以普通股方式收取價值約3,000,000港元之優先股股息（二零零五年：無），該等可換股優先股附帶每半年按樂依文之決定以現金或普通股方式支付優先股息每年13%。本年度未確認之分佔虧損為153,000,000港元（二零零五年：78,000,000港元），而累計未確認之分佔虧損為231,000,000港元（二零零五年：78,000,000港元）。



By reference to the closing price of American Depository Shares (“ADS”) of ASAT on the NASDAQ Market at balance sheet date, the market value of ASAT attributable to the Group as at 30th April, 2006 was HK\$422 million (2005: HK\$418 million). As explained in Note 5 “Key Sources of Estimation Uncertainty – Fair Value of Financial Instruments” to the consolidated financial statements, the fair value of the conversion option of the convertible preferred shares and the warrants were valued by reference to the share price of ASAT, among other factors. As at the balance sheet date, the closing market price per ADS was US\$0.94 (equivalent to approximately HK\$7.29) and as at 20th October, 2006 US time, the latest practicable date to ascertain such data prior to the issue of this annual report, the closing market price was US\$0.41 (equivalent to approximately HK\$3.18), illustrating the volatility of ASAT’s share price and the resultant possible significant negative impact on the changes in fair values in these derivative financial instruments.

On 1st September, 2006, I accepted the appointment by the ASAT board to act as the acting chief executive officer of ASAT, in order that ASAT can have sufficient time in its search for this leading position. Since then ASAT has achieved substantial improvements in various critical areas including production quality, time to market, facilities utilisation efficiency, localisation of work force. These initiatives have enabled ASAT to gain customer acceptance on a reduced and sustainable cost structure, paving the foundation for ASAT to benefit further from market share increases as it continues to deliver to customers’ satisfaction, providing solutions to their fluctuating business requirements.

Outlook

In June 2006, the Semiconductor Industry Association (“SIA”) forecasted world demand for semiconductors to grow at a compound annual growth rate of 9.2% through 2009, noting that with both inventory and capacity in balance, conditions are favorable for continued semiconductor industry growth. Accordingly, the Company will continue to diversify its customer base while further reducing its cost structure to meet market challenges.

參考美國預託證券（「預託證券」）於結算日於美國全國證券商自動報價系統（NASDAQ）市場之收市價，於二零零六年四月三十日，本集團應估樂依文之市值為422,000,000港元（二零零五年：418,000,000港元）。誠如財務報告附註5「估計不明朗因素之主要來源—金融工具之公平值」內所述，可換股優先股之換股選擇權及認股權證之公平值乃參考（其中包括）樂依文之股價因素估值。於結算日，每股預託證券之收市價為0.94美元（相當於約7.29港元），而於美國時間二零零六年十月二十日，即在刊發此年報之前確定此資料之最後實際可行日期，其收市價為0.41美元（相當於約3.18港元），由此可闡明樂依文股價之波幅，以及其對此等衍生金融工具之公平值變動結果可能構成重大負面影響。

於二零零六年九月一日，本人已接納樂依文董事會之委任為樂依文之署理行政總裁，讓樂依文可有充足時間尋找人選擔當此領導職位。自此，樂依文已在各關鍵方面取得重大改善，包括生產質素、付運市場時間、設施使用效率及員工本地化。此等措施幫助樂依文以降低及持續性之成本結構取得客戶接受，於繼續滿足客戶之需求下，及於其波動之營商環境中提供解決方案之時，為樂依文進一步受惠於已拓展之市場佔有率奠下根基。

前景

於二零零六年六月，美國半導體協會（「美國半導體協會」）預測，直至二零零九年，全球對半導體之需求將以複合年增長率9.2%逐年遞增，並注意到當庫存與產能達致均衡時，情況對半導體業持續增長有利。故此，本公司將繼續致力擴大其客戶層面，同時進一步減省成本架構，以應付市場挑戰。

Financial Review

On 31st July, 2005, the Company entered into a securities purchase agreement with Asia Opportunity Fund, L.P. and its affiliate funds ("AOF"), which held approximately 28.9% of the issued ordinary shares of ASAT, and ASAT in relation to a US\$15 million financing (equivalent to approximately HK\$117 million) for ASAT, of which the Group contributed US\$7.5 million (equivalent to approximately HK\$58 million). ASAT issued 300,000 convertible preferred shares for a total price of US\$15 million (equivalent to approximately HK\$117 million), representing an issue price of US\$50 per convertible preferred share, to be purchased by AOF and the Group in equal proportions. On 27th October, 2005 ("Closing Date"), the preferred share financing was completed and the Group invested US\$7.5 million (equivalent to approximately HK\$58 million) for 150,000 convertible preferred shares for the equivalent amount at an issue price of US\$50 per convertible preferred share, at a preferred dividend rate of 13% per annum, payable semi-annually in arrears. Each convertible preferred share will, at any time and from time to time, be convertible, at the option of the holder, into ordinary shares of ASAT at a conversion price equal to US\$0.09 per ordinary share (equivalent to US\$0.45 per ADS, one ADS equivalent to 5 ordinary shares), subject to customary adjustment for share splits, dividends, re-combinations and similar transactions. The convertible preferred shares would also be subject to a potential 'reset' of the conversion price on 31st October, 2006 to 80% of the average trading price of ADSs during the preceding three months, subject to a floor of US\$0.065 per ordinary share (equivalent to US\$0.325 per ADS).

At any time on or after 4th May, 2011, ASAT shall, at the option of the Group, redeem, in whole or in part, any outstanding convertible preferred shares, in cash. Subject to the terms of an indenture of ASAT dated 26th January, 2004 in relation to its 9.25 per cent. high yield note, the convertible preferred shares shall be redeemable, in cash, at the option of ASAT, in whole or in part, at any time at a price per share equal to the higher of (i) the issue price, plus an amount equal to the accrued and unpaid preferred shares dividends to the date of redemption; and (ii) the aggregate fair market value of ASAT's ordinary shares into the which the convertible preferred shares are convertible.

財務回顧

於二零零五年七月三十一日，本公司與 Asia Opportunity Fund, L.P. 及其聯屬基金（「AOF」，持有樂依文已發行普通股約28.9%）及樂依文就為樂依文籌集 15,000,000 美元（相當於約 117,000,000 港元）（其中本集團出資 7,500,000 美元（相當於約 58,000,000 港元））訂立證券購買協議。樂依文發行總價格為 15,000,000 美元（相當於約 117,000,000 港元）之 300,000 股可換股優先股（即發行價為每股可換股優先股 50 美元），將由 AOF 及本集團以等額比例購買。優先股融資於二零零五年十月二十七日（「完成日期」）完成，而本集團已按發行價每股可換股優先股 50 美元斥資 7,500,000 美元（相當於約 58,000,000 港元）購入 150,000 股可換股優先股，優先股息每年 13%，每半年繳付。每股可換股優先股可隨時及不時由持有人選擇按換股價每股普通股 0.09 美元（相當於每股預託證券 0.45 美元，每股預託證券相當於 5 股普通股）轉換為樂依文之普通股，而該價格可就股份拆細、股息、重新合併及同類交易作出慣常調整。此可換股優先股之換股價可於二零零六年十月三十一日就潛在「重新設定」調整至於該日起計對上三個月預託證券之平均成交價之 80%，惟調整下限為每股普通股 0.065 美元（相當於每股預託證券 0.325 美元）。

由本集團選擇，樂依文須隨時於二零一一年五月四日或以後之任何時間以現金之方式贖回全部或部分任何未行使之可換股優先股。由樂依文選擇，在符合樂依文於二零零四年一月二十六日就有關 9.25 厘高孳息票據訂立之文據條款之規定下，可於任何時間以現金之方式贖回全部或部分可換股優先股，惟每股價格相當於下列較高者：(i) 發行價，另加相等於贖回日期之累計及未付優先股股息之款額；及 (ii) 將可換股優先股轉換至樂依文普通股之公平市值總額。



By way of arrangement fee, ASAT has agreed to issue to the Group and AOF, on Closing Date, five-year warrants to purchase a total of 5 million ordinary shares (equivalent to 1 million ADSs, representing 500,000 ADSs for each of the Group and AOF), exercisable at a price of US\$0.01 per ordinary share (equivalent to US\$0.05 per ADS). In addition, on Closing Date, ASAT will issue five-year warrants to purchase 15 million ordinary shares (equivalent to 3 million ADSs, representing 1.5 million ADSs for each of the Group and AOF), also exercisable at a price of US\$0.01 per ordinary share (equivalent to US\$0.05 per ADS). Accordingly, on Closing Date, the Group had issued warrants to subscribe a total of 10 million ordinary shares. On issue of the warrants, no sums are payable to ASAT by the Group.

The consideration of the Group was in form of the conversion, on a dollar-for-dollar basis, of its account receivable due from ASAT as at Closing Date.

The Group has appointed a firm of independent international asset valuers to measure the fair value of the convertible preferred shares both on the Closing Date and balance sheet date including straight loan feature, conversion option and the warrants for a total 10 million ordinary shares (equivalent to 2 million ADSs) as attached to the convertible preferred shares.

At 30th April, 2006, the fair value of the straight loan feature of the convertible preferred shares was approximately US\$3.9 million (equivalent to approximately HK\$30 million) which formed part of the investment in an associate. As there were cumulative unrecognised share of losses in an associate, these additional investments have to be equity accounted for the share of losses upon investments made. On the other hand, the fair values of the conversion option of the convertible preferred shares and the warrants, which were classified as financial assets at fair value through profit and loss, was approximately US\$6.3 million (equivalent to approximately HK\$49 million) and US\$1 million (equivalent to approximately HK\$8 million) respectively, resulting in gains arising from changes in fair values of approximately HK\$28 million recognised in the consolidated income statement, as compared against the respective attributable consideration paid at inception.

作為安排費用，樂依文同意於完成日期發行五年期認股權證予本集團及AOF，可購買合共5,000,000股樂依文普通股（相當於1,000,000股預託證券，即本集團及AOF各佔500,000股預託證券），行使價為每股普通股0.01美元（相當於每股預託證券0.05美元）。此外，於完成日期，樂依文將發行五年期認股權證，可購買15,000,000股樂依文普通股（相當於3,000,000股預託證券，即本集團及AOF各佔1,500,000股預託證券），行使價同樣為每股普通股0.01美元（相當於每股預託證券0.05美元）。故此，於完成日期，本集團已發行合共可認購10,000,000股之普通股之認股權證。於發行該等認股權證時，本集團概無需支付任何款項給樂依文。

本集團之代價將以樂依文於完成日期所欠之應收賬款以等額轉換形式出資。

本集團已委任獨立國際資產估值師行計量可換股優先股於完成日期及結算日之公平值，包括可換股優先股隨附之直接貸款性質、換股選擇權及可合共認購10,000,000股普通股（相等於2,000,000股預託證券）之認股權證。

於二零零六年四月三十日，屬直接貸款性質之可換股優先股之公平值約為3,900,000美元（相當於約30,000,000港元），此乃構成聯營公司投資之一部份。由於有分佔一間聯營公司累計未確認之虧損，一旦作出投資，此額外投資須於應佔虧損之賬目內處理。另一方面，而屬換股選擇權之可換股優先股及認股權證（被分類為按公平值計入損益之金融資產）之公平值分別約6,300,000美元（相當於約49,000,000港元）及1,000,000美元（相當於約8,000,000港元），與開始時各自應付之代價比較後，由公平值變動而產生約28,000,000港元之收益於綜合收益表內確認。

CHAIRMAN'S STATEMENT (CONT'D) • 主席報告 (續)

On 8th December, 2005, a special resolution was passed to approve the issue of 127,874,034 new ordinary shares by way of rights to holders of shares in the Company at HK\$0.62 per share (the "Rights Share") in the proportion of one Rights Share for every five existing shares (the "Rights Issue") held by the qualifying shareholders. The Rights Issue became unconditional on 30th December, 2005. On 4th January, 2006, 127,874,034 Rights Shares were allotted raising approximately HK\$79 million, before expenses, of which approximately HK\$60 million was set off against by way of capitalisation of a loan due to Mr. Li Tung Lok, a director and a substantial shareholder of the Company and the remaining balance was used as the general working capital of the Group.

During the year, the Group has repaid certain bank and other loans in a sum total of HK\$26 million. As at 30th April, 2006, the Group's total outstanding debts of HK\$84 million (2005: HK\$151 million) comprised of HK\$2 million (2005: HK\$5 million) secured bank loans, HK\$34 million (2005: HK\$17 million) trust receipt loans and bill payables, HK\$37 million (2005: HK\$55 million) other secured loans, HK\$1 million (2005: HK\$6 million) other unsecured loans, and HK\$10 million (2005: HK\$68 million) loan from a director. In terms of maturity, borrowings of HK\$71 million (2005: HK\$114 million) or 85% (2005: 75%) of the total debts will be repaid within one year; with the balance repayable in the second year. In terms of interest bearing, HK\$74 million (2005: HK\$83 million) was interest bearing and HK\$10 million (2005: HK\$68 million) was interest free. In terms of currency denomination, approximately 8% (2005: 8%) was denominated in US Dollars, approximately 41% (2005: 41%) was denominated in Renminbi ("RMB"), approximately 51% (2005: 51%) in HK Dollars.

Distribution

The directors do not recommend the payment of a final dividend for the year (2005: Nil).

於二零零五年十二月八日，本公司通過特別決議案批准以供股方式，按每股0.62港元向本公司股份持有人發行127,874,034股新普通股（「供股股份」），供股基準為合資格股東每持有五股現有股份獲配發一股供股股份（「供股」）。供股已於二零零五年十二月三十日成為無條件。於二零零六年一月四日，已配發127,874,034股供股股份，集資約79,000,000港元（未計開支），其中約60,000,000港元以將應償還予本公司董事兼主要股東李同樂先生之貨款資本化作抵銷，餘額則用作本集團之一般營運資金。

年內，本集團已償還若干銀行及其他貸款，總額26,000,000港元。於二零零六年四月三十日，本集團之未償還總借貸為84,000,000港元（二零零五年：151,000,000港元），包括有抵押銀行貸款2,000,000港元（二零零五年：5,000,000港元）、信託收據貸款及應付票據34,000,000港元（二零零五年：17,000,000港元）、其他有抵押貸款37,000,000港元（二零零五年：55,000,000港元）、其他無抵押貸款1,000,000港元（二零零五年：6,000,000港元）及董事授出貸款10,000,000港元（二零零五年：68,000,000港元）。在還款期方面，71,000,000港元之借貸（二零零五年：114,000,000港元）或佔總借貸之85%（二零零五年：75%）須於一年內償還，其餘須於第二年內償還。在利息方面，74,000,000港元（二零零五年：83,000,000港元）為計息貸款，而10,000,000港元（二零零五年：68,000,000港元）為免息貸款。在貨幣計值方面，約8%（二零零五年：8%）以美元為單位，約41%（二零零五年：41%）以人民幣（「人民幣」）為單位，約51%（二零零五年：51%）以港元為單位。

分派

董事並不建議就年度支付末期股息（二零零五年：無）。



Pledge of Assets

At 30th April, 2006, plant and equipment with a carrying value of HK\$67 million (2005: HK\$74 million) were pledged to secure certain banking facilities and other loans granted to the Group.

In connection with the disposal of a 50% interest in ASAT during the year ended 30th April, 2000, the Group indemnified the acquiring investor group for various tax liabilities of the ASAT group by pledging its shares in ASAT to the investor group. During the year ended 30th April, 2006, all shares of ASAT previously under pledge representing approximately 11% interest in ASAT have been released.

Capital Expenditure

During the year ended 30th April, 2006, the Group invested HK\$15 million (2005: HK\$25 million) in acquiring property, plant and equipment. This capital expenditure was financed essentially from internal resources.

Employees and Remuneration Policy

At 30th April, 2006, the Group, other than ASAT, employed approximately 2,420 employees (2005: 2,650 employees). The Group maintained its remuneration policy comprising salary and other benefits, as an integral part of TQM.

Appreciation

I, on behalf of the board, would take this opportunity to express our sincere gratitude to all staff for their valuable contribution to the Group. Further, I would like to express appreciation to the Group's customers, business associates and shareholders for their continual support.

By Order of the Board

Li Tung Lok
Chairman

Hong Kong, 23rd October, 2006

資產質押

於二零零六年四月三十日，已抵押附賬面值為67,000,000港元(二零零五年：74,000,000港元)之機器及設備，以取得由若干銀行提供予本集團之銀行融資及其他貸款。

於截至二零零零年四月三十日止年度，就售出樂依文之一半權益而言，本集團將其樂依文之股份抵押予收購投資集團，以向有關投資集團之不同稅務負擔作出彌償保證。於截止二零零六年四月三十日止年度，所有樂依文早前已抵押之股份(佔於樂依文約11%之權益)已解除。

資本開支

截至二零零六年四月三十日止年度，本集團投資15,000,000港元(二零零五年：25,000,000港元)添置物業、機器及設備。該資本開支大部分由內部資源撥付。

僱員及酬金政策

於二零零六年四月三十日，本集團(不包括樂依文)僱用約2,420名(二零零五年：2,650名)僱員。本集團繼續奉行以往之酬金政策包括薪金及其他福利，作為全面品質管理之一部分。

致謝

本人謹代表董事會向全體員工對本集團作出之寶貴貢獻致以衷心謝意。此外，本人亦藉此機會感謝本集團之客戶、業務夥伴及股東之不斷支持。

承董事會命

主席
李同樂

香港，二零零六年十月二十三日